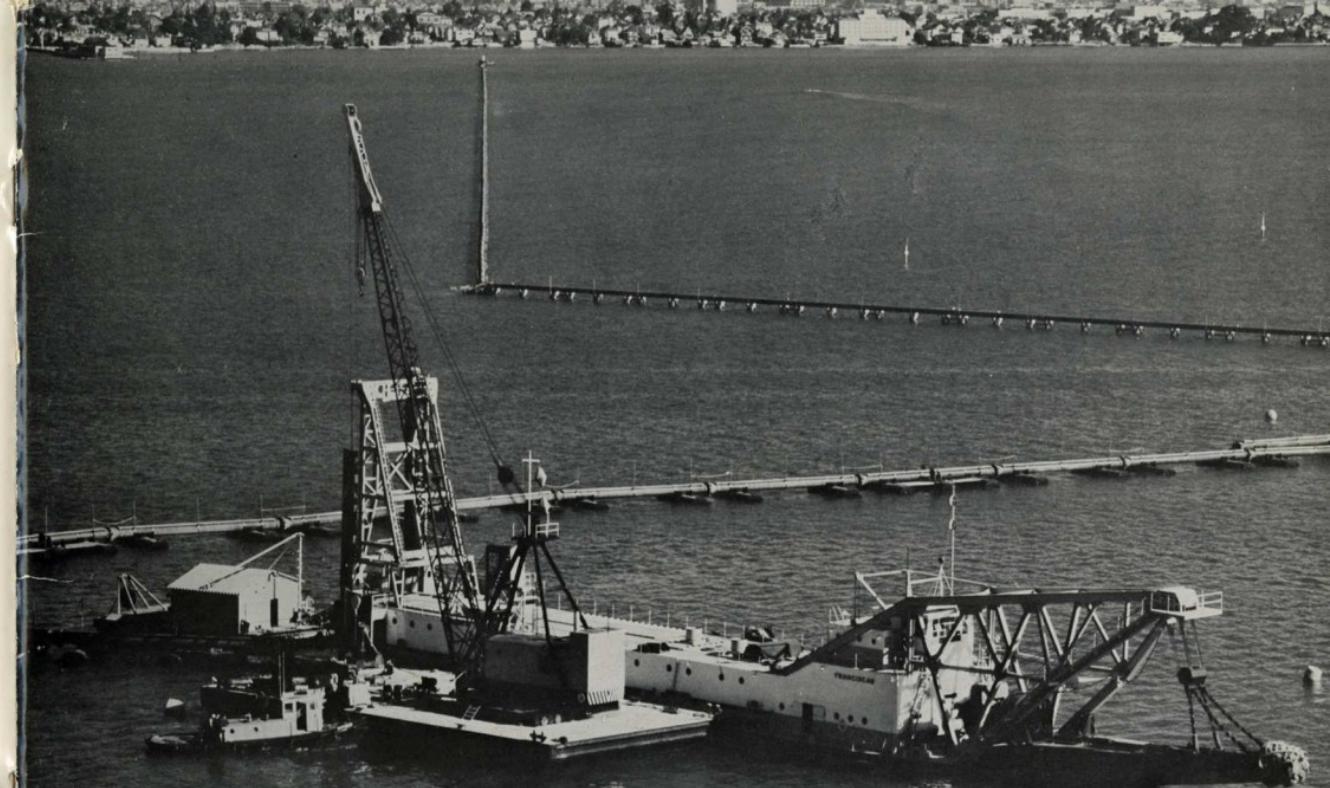


UTAH CONSTRUCTION COMPANY



ANNUAL REPORT 1956
UTAH CONSTRUCTION COMPANY



COVER:

Off the south shore of Alameda, California in San Francisco Bay our new 30 inch hydraulic dredge, "Franciscan", has recently transformed 400 acres of submerged tidelands into valuable real estate suitable for commercial and residential development. Here the dredge is shown in the latter stages of that project pumping sand from the borrow area approximately 2 miles to the newly created shoreline.

On the north fork of the Feather River in the Sierra Nevada Mountains 26 miles northwest of Oroville, California, a joint venture in which Utah is 60 per cent sponsor is driving a seven mile water diversion tunnel through solid rock to the powerhouse site for Pacific Gas & Electric Company in connection with its vast Pit Power Hydroelectric Project. This view shows our mucking equipment and operating personnel at work on tunnel driving operations. The tunnel construction is a major portion of the \$35,000,000 project.



UTAH CONSTRUCTION COMPANY

ANNUAL REPORT 1956





UTAH CONSTRUCTION

A view of partially completed Long Sault Dam being constructed on the St. Lawrence River near Massena, New York, at a cost of \$30,000,000 for the New York Power Authority by a prominent group of joint venture associates, of which Utah is a member. Completion is scheduled for December of 1958.

BOARD OF DIRECTORS

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MARRINER A. BROWNING
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L. T. DEE
GEORGE S. ECCLES
W.H. HARRIS
E.W. LITTLEFIELD
SHEPARD MITCHELL
P.L. WATTIS

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E.W. LITTLEFIELD, *Executive Vice President, Secretary and Treasurer*
C.S. DAVIS, *General Vice President*
FRANK KELLER, *General Vice President*
GUY V. SPERRY, *Chief Engineer*
J. M. HORRIGAN, *Controller and Assistant Treasurer*
CHARLES W. ROBINSON, *Assistant Treasurer*

EXECUTIVE COMMITTEE

MARRINER S. ECCLES
ALLEN D. CHRISTENSEN
E.W. LITTLEFIELD



UTAH

CONSTRUCTION COMPANY

ENGINEERS • CONTRACTORS

TO OUR STOCKHOLDERS:

During the fiscal year ending October 31, 1956, Utah Construction Company continued to prosper, both as an operating company and as a holding company. The parent company carried on a general construction and mining business principally in the United States, while subsidiary and affiliated companies in which Utah Construction Company holds an interest continued operations domestically and in a number of foreign countries, engaging in construction, mining, ocean shipping, and other related activities.

PARENT COMPANY EARNINGS

Earnings for Utah Construction Company for the fiscal year 1956 amounted to \$2,422,472, equivalent to \$2.76 a share. This was the highest profit in the 56 year history of the company and compares with \$1,737,549, or \$1.98 a share earned during the preceding year. Gross income from domestic construction projects declined from levels of the preceding year, largely because of disappointing results achieved by certain joint ventures in which your company is a participant. This decrease in gross income was more than offset by improved results obtained from domestic mining activities and investment income from subsidiary and affiliated companies engaged in foreign construction and mining.

Included in expenses for the year 1956 are accelerated depreciation charges under the declining balance method amounting to \$786,629 in excess of the amount that would have been accrued under the straight line method. This represents an increase of \$658,861 over the accelerated depreciation charged against operations in 1955. There has also been charged against earnings for 1956 the amount of \$244,000 which has been set aside as a reserve for future payments under the company's Retirement Plan Based on Profit Sharing. If profits hold up during the next two years, the reserve will be returned as a credit to earnings in future years.

SUBSIDIARY AND AFFILIATED COMPANIES

Our company's share of the undistributed earnings of subsidiary and affiliated companies in which we have investments amounted to \$1,755,711 after allowance for dividends paid and for taxes payable on the undistributed current earnings. This is the equivalent of \$2.00 a share of Utah Construction Company stock and compares with \$710,029 or \$1 cents a share for the preceding year. This improvement over the results of the prior year resulted primarily from an improvement in the profit levels of companies engaged in the mining, shipping, and sales of iron ore. Profit margins and volume on foreign construction work were well sustained, and the greater part of the earnings was declared as dividends to the parent company.

OVERALL RESULTS

Combining the earnings of the parent company and its share of undistributed earnings of subsidiary and affiliated companies as reported above indicates an overall gain for the year of \$4,178,183 or \$4.76 a share of Utah Construction Company stock. This compares with \$3,404,424 or \$3.88 a share of Utah Construction Company stock during the preceding year which included a non-recurring adjustment to surplus of \$956,846 arising from revaluation of equipment to conform with the tentative agreement reached with the Bureau of Internal Revenue regarding the depreciation rates for prior years. Not included in the foregoing figures is the enhancement in value for certain investments retained by the company.

FINANCIAL POSITION

Utah Construction Company continues to be in a strong financial position. In our opinion its assets are conservatively valued and many of its investments are carried at values on the company books substantially below their present worth.

Your management has felt that it was prudent to conserve the company's working capital because of heavy investments in joint ventures in which the company is a participant and because of general conditions in the money markets. The company's working capital, together with the unused lines of credit available to it, are in the opinion of your management adequate to meet the company's requirements.

In 1956 four quarterly dividends were paid, each amounting to 1/100 of a share of Permanente Cement stock for each share of Utah Construction Company stock held. At the time the dividend distributions were made Permanente Cement stock so distributed had an approximate market value of \$1.43 a share of Utah Construction Company stock. Dividends paid during the preceding year were equivalent to approximately \$1.22 a share and were in the form of 90 cents in cash and 1/100 of a share of Permanente stock.

Net worth at the close of the year amounted to \$21,108,555 or \$24.05 a share. This compares with \$18,763,113 or \$21.38 a share at the close of the preceding year. Both figures are based upon our investments in other companies being valued at cost rather than their indicated values which would be approximately \$11,500,000 higher than company cost in 1956 and \$10,000,000 higher in 1955.

NEW ACTIVITIES

Through the purchase of a new highly efficient dredge your company actively entered into the field of hydraulic dredging in the San Francisco Bay area, and we are optimistic that this further diversification of our construction activities will yield substantial benefits to the stockholders in the future.

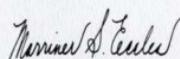
During the year your company decided to exercise its option to purchase a 60 per cent interest in the capital stock of Lucky Mc Uranium Corporation, and we are confident that this venture will prove profitable to your company and will give it an important stake in the mining of uranium which has proved to be one of the most rapidly growing industries in the country.

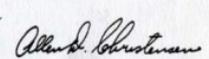
OUTLOOK

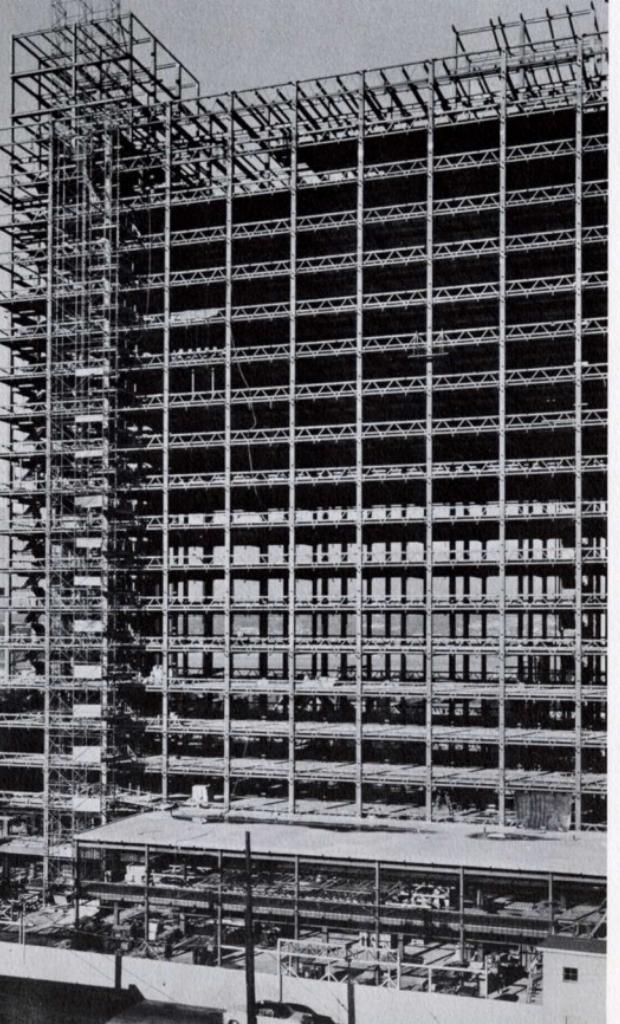
Utah Construction Company and its associate companies enter the year 1957 with the highest backlog of uncompleted contract volume in its history. The results achieved during 1956 prove once again that the size of the construction backlog is not necessarily an indication of the profits that it will produce, but we are hopeful that our work portfolio will yield construction profits commensurate with its size. We have good reason to believe that it will do so if there is no general inflation and consequent increase in construction cost that would be the inevitable result. Our income from mining is naturally sensitive to general business conditions but we anticipate an improvement in our overall mining results from the present sources of income will be supplemented by our share of the earnings from Pima Mining Company which started operations in December 1956. In the absence of war or inflation, we are hopeful that results for the coming year will equal or surpass those of 1956.

We could not view the future with optimism if we were not confident that, in the future as in the past, our company would once again be favored by those who have need of the goods and services that we offer and that our employees would always discharge their responsibilities creditably to themselves and to the company that they represent. To both our clients and to our employees we are deeply indebted.

Respectfully submitted,


MARRINER S. ECCLES,
Chairman of the Board


ALLEN D. CHRISTENSEN,
President and General Manager



In downtown Vancouver, British Columbia, our wholly-owned subsidiary, Utah Co. of the Americas, is constructing this modern 20 story office building at a cost of \$5,200,000. The parent company has a 25 per cent ownership interest in this project.



CONSTRUCTION

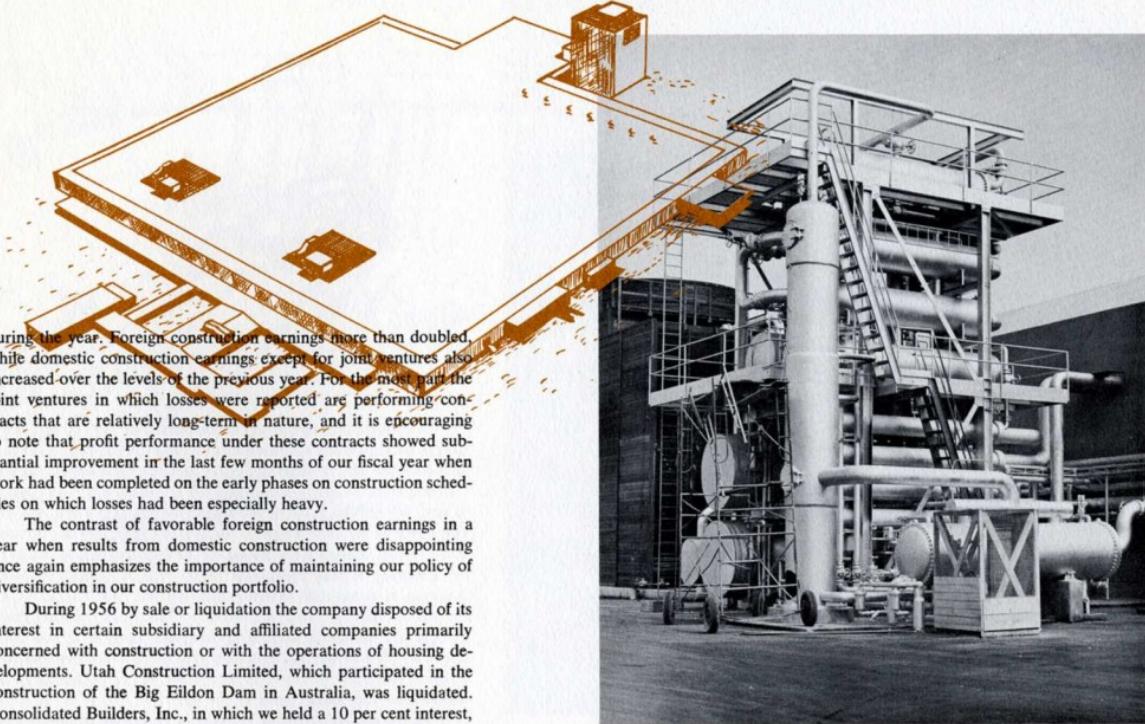
During 1956 Utah Construction Company directly, in joint venture, or through subsidiary companies, performed engineering and construction services in the United States and in many parts of the world. Foreign construction operations were conducted in Canada, Mexico, Colombia, Peru, Guam, Okinawa, Korea, Australia, and France. Virtually every type of construction was represented including dams, tunnels, bridges, powerhouses, industrial plants for steel, chemical, copper, electronics, and nuclear industry, commercial office and government buildings, military and naval installations for foreign and domestic governments, dredging and harbor development, airport construction, public and private housing, contract stripping and mining. Our construction portfolio remains diversified by types of work and by geographical areas in which the work must be performed.

Our gross income from construction and closely related activities remained virtually unchanged from the levels of the previous year, despite a large increase in the volume of work performed. Gross income from domestic construction performed by the parent company was adversely affected by two factors. First was losses reported by joint ventures in which your company was a participant. The second factor was the use of the declining balance method of depreciation on equipment purchased since January 1, 1954, which resulted in heavier depreciation charges against work performed

during the year. Foreign construction earnings more than doubled, while domestic construction earnings except for joint ventures also increased over the levels of the previous year. For the most part the joint ventures in which losses were reported are performing contracts that are relatively long-term in nature, and it is encouraging to note that profit performance under these contracts showed substantial improvement in the last few months of our fiscal year when work had been completed on the early phases on construction schedules on which losses had been especially heavy.

The contrast of favorable foreign construction earnings in a year when results from domestic construction were disappointing once again emphasizes the importance of maintaining our policy of diversification in our construction portfolio.

During 1956 by sale or liquidation the company disposed of its interest in certain subsidiary and affiliated companies primarily concerned with construction or with the operations of housing developments. Utah Construction Limited, which participated in the construction of the Big Eildon Dam in Australia, was liquidated. Consolidated Builders, Inc., in which we held a 10 per cent interest, also voted a final plan of liquidation which will be completed in 1957. The company sold its interests in companies concerned with the ownership and operation of housing developments at Bisbee, Arizona; Wichita, Kansas; and Salina, Kansas. A profit was realized by the company on each of these transactions.



During 1956 Utah completed construction at Stockton, California of a \$6,000,000 modern walnut processing and storage plant for the California Diamond Walnut Growers Association which embraces 13 acres of floor space. Photo shows the huge ammonia absorption refrigeration plant which services the operation.

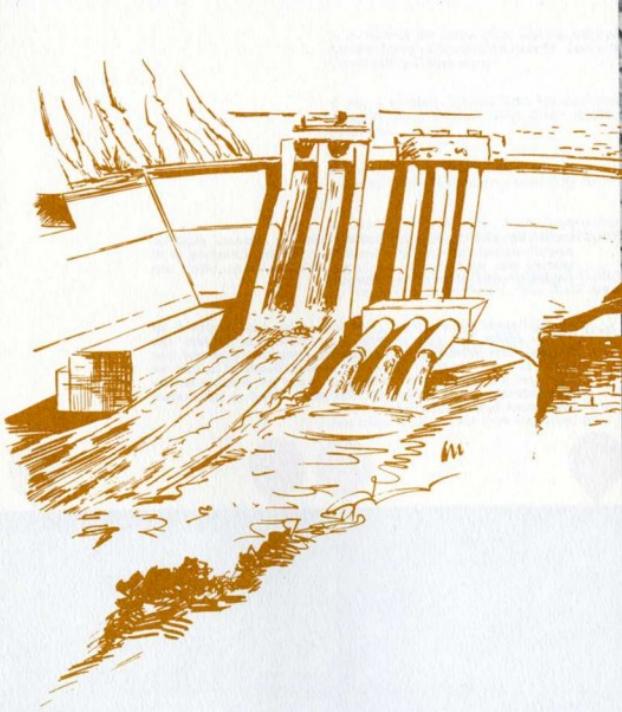


Along the vast St. Lawrence Seaway project Utah is participating with other main stem contractors in four construction contracts totaling over \$100,000,000. This is an upstream view of an early phase in the construction of Grass River Lock being performed for U.S. Corps of Engineers at a cost of \$30,000,000, and scheduled for completion in December of 1959.

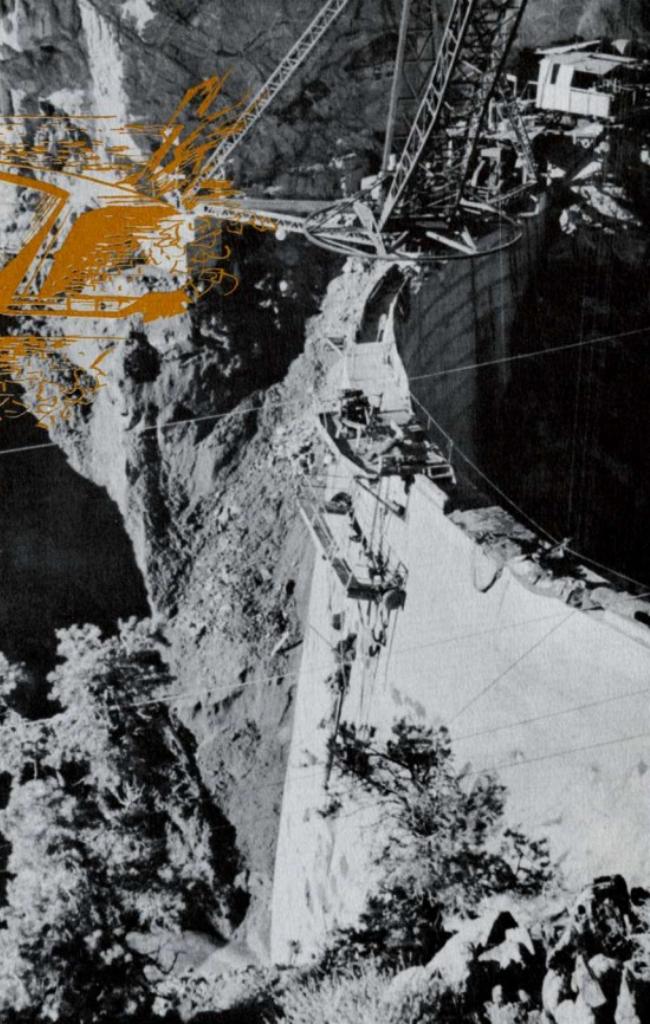


During the closing months of the fiscal year Kennecott Copper Corporation awarded two contracts to Utah Construction Company in connection with its open pit copper mining operations at Bingham Canyon, Utah. Under one contract our company has been engaged to strip 8½ million yards of overburden on the upper east and west side levels of the huge Bingham Mine. Additionally under this contract we will construct the necessary haulage and access roads for the company mining operations which will be undertaken when stripping is completed in approximately one year's time. Under the second contract Utah will drive a 17,000 foot railroad tunnel through the mountain bordering Bingham Canyon at the 5,490 foot level. This tunnel will enter the mine pit at a new low level area to more efficiently service and handle the future shipments of ore mined from the deeper areas of the pit.

At the end of 1956 our backlog of uncompleted construction contracts was the highest in our history. The work portfolio is well diversified by types of projects, types of contracts, and geographical areas in which the work is to be performed. We are hopeful that the new contracts added during the year will produce a profit commensurate with their size and the degrees of risk undertaken.



In late 1955 the U.S. Navy Department called upon Utah to perform restoration work on its Cat Creek Dam, Black Beauty Reservoir and the pipe line and access roads near Hawthorne, Nevada. This view shows our stiff leg and hoist installation on the 100 foot dam crest from where we excavated muck and debris from the canyon below.



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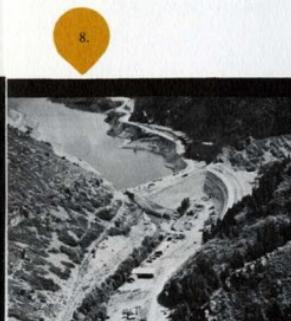
1. During 1956 Utah completed an extensive chemical plant expansion project for American Smelting & Refining Company to its existing zinc oxide facility at Corpus Christi, Texas, which was originally constructed by our company.

2. On Texada Island, British Columbia, Utah has completed for Texada Mines Ltd. construction of a combination flotation and magnetic concentrating plant for treating complex copper and iron ores. Here our versatility of service is well illustrated in that we developed the plant process metallurgy in our ore dressing laboratories; designed and constructed the plant; acted as operational consultants in plant start-up.

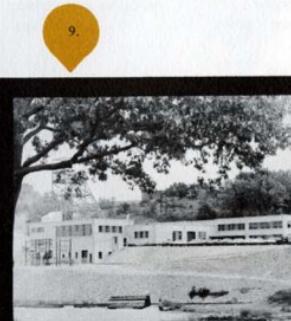
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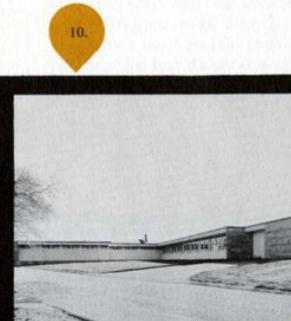
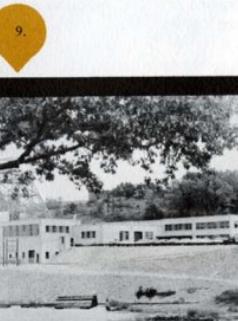
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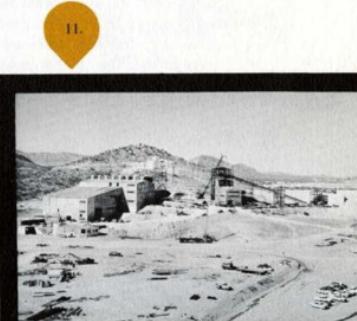
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3. A view of the steam plant was the only photo cleared for publication on the \$38,000,000 nuclear facility being constructed for the Atomic Energy Commission near St. Louis, Missouri, by a joint venture composed of Utah Construction Company and Fruin-Colnon Construction Corporation.

4. For a number of years Utah has performed continuous tunnel relining and rehabilitation operations for Western Pacific Railroad along its scenic Feather River Route originally constructed by us. This view shows work in progress at Tunnel 15 in Butte County, California.

5. On the White River at Branson, Missouri, a joint venture in which our company is a participant is constructing Table Rock Dam under \$25,000,000 contract awarded by the Corps of Engineers, U. S. Army.

6. Outside Salt Lake City, Utah Construction Company is erecting a prestressed concrete and masonry manufacturing plant for the Sperry Gyroscope Company Division of Sperry Rand Corporation.

7. View of a familiar type mercantile facility erected by Utah Construction Company in Ogden, Utah, during 1956 for occupancy by the nationally prominent retail chain operators, W. T. Grant Co.

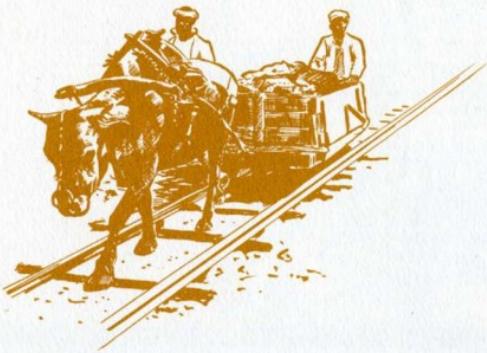
8. Aerial view of earth filled Pineview Dam and Spillway east of Ogden, Utah, where we are currently engaged in dam enlargement and highway relocation under contract with the U. S. Bureau of Reclamation. The original dam was also built by Utah Construction Company in 1935.

9. In 1956 Utah completed construction of these mine surface facilities which include mine head frame, hoist house, zinc flotation plant, and administration building at Jefferson City, Tennessee, for New Jersey Zinc Company. Below the plant Utah previously sank two mine shafts which were connected by a 7800 foot drift at the 950 foot level.

10. At Ukiah, California, Utah Construction Company recently completed construction of a modern 80 bed addition including operating and laboratory facilities to existing Mendocino County Hospital.

11. Near Tucson, Arizona, our company is rapidly completing final phases of construction of a \$4,300,000 copper ore processing mill and concentrator for Pima Mining Company which is owned 25 per cent each by our company, Union Oil Company of California and 50 per cent by Cyprus Mines Corporation.

FOREIGN CONSTRUCTION ACTIVITIES



During the closing months of 1956 Utah Construction Company or its wholly-owned subsidiaries were awarded a number of major construction assignments in widely separated areas of the world. Work on these projects during the year was confined largely to preparatory operations. Among the larger contracts are those described below.

In April 1956 our wholly-owned subsidiary, Utah Australia Limited, was awarded a contract by Mt. Isa Mines Limited embracing a \$22,200,000 mine and plant expansion program located 1275 miles north of Melbourne in Queensland, Australia. The work on this project is estimated to extend over a four year period and will substantially increase the production capacity of this lead, copper and zinc producer whose operations make an important contribution to the Australian economy.

For a number of years our subsidiary, Compania Utah, S. A. has been performing extensive harbor development work for the Mexican Navy Department. This panoramic view of the harbor at Guaymas shows commencement of construction of approximately 4 miles of quay and



warehouse facilities by our subsidiary on new land, 160 acres of which was created from submerged tidelands in which our subsidiary performed the dike and pile-driving phases of the project in preparation for subsequent hydraulic filling.

A joint venture in which Utah Construction Company is the sponsor was the successful bidder on an \$80,000,000 construction contract awarded by Southern Peru Copper Corporation. This assignment calls for the construction at Toquepala in southern Peru of a 30,000 ton per day concentrating mill, copper smelter and power plant. As the plant site is in a remote area in the country, we are also commissioned to construct townsite and buildings, railroad facilities, highways and bridges, as well as installation of a complete water supply system, including pipelines, canals and reservoirs.

As the year closed Utah was notified by the Government of Pakistan and the International Cooperative Administration by a Letter of Intent that it had been selected as the contractor for a cost-plus contract involving construction of a \$30,000,000 rolled and earth filled dam and hydroelectric facilities to be constructed near Chittagong on the Karnaphuli River in East Pakistan. Our representatives are currently finalizing the contract details and it is contemplated that the move-in operations will be instituted shortly, with project completion estimated in approximately three years' time.



Near Hobart, Tasmania, our subsidiary, Utah Australia Limited, is boring under contract with the Hydro-Electric Commission of Tasmania, a concrete-lined tunnel, 22 feet in diameter and over a mile long known as Wayatinah "B" Tunnel. The project will be completed five months ahead of contract date. Utah has been a world leader in underground construction for half a century.



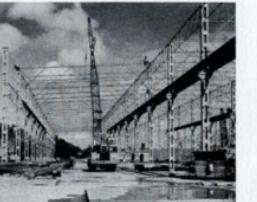
Since 1951 our subsidiary, Utah Co. of the Americas, has been engaged in construction of 258 miles of highway through jungle and mountainous terrain of Colombia, South America, as a major partner in association with local contractors.



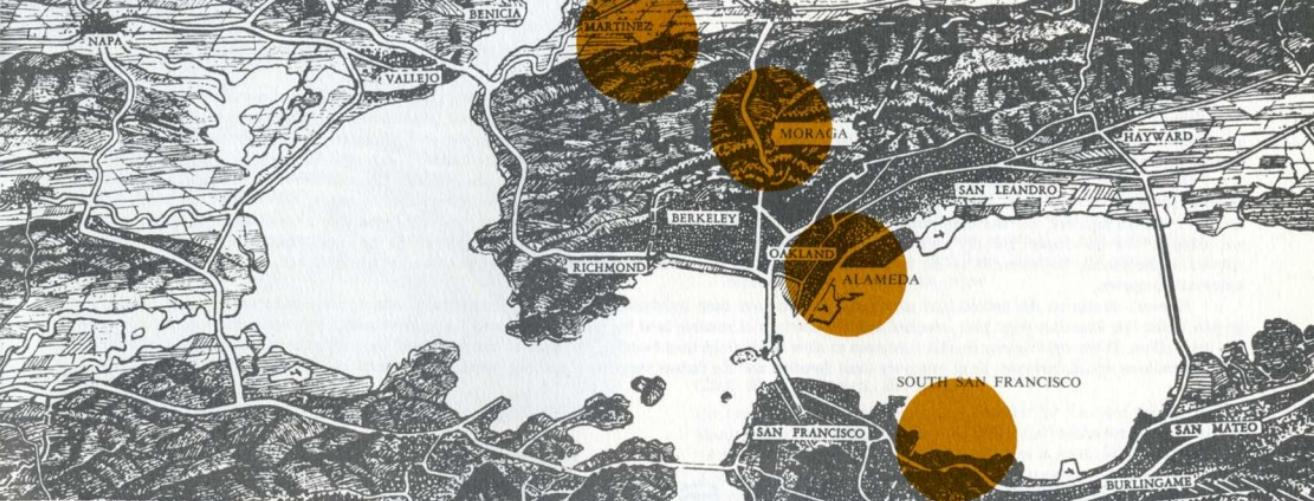
In these majestic surroundings on the Durance River in the French Alps our company, in association with French contractors, is engaged in construction of a vast \$27,000,000 hydro-electric project known as Serre-Poncon Dam for Electricité de France. The project embraces construction of a 400 foot earth and rock filled dam, diversion tunnels, and an underground powerhouse.



Early in 1955 Utah Australia Limited was called in to complete construction of earth filled Cairn Curran Dam, concrete spillway pictured above, and intake for State Rivers and Water Supply Commission of Victoria, Australia. This project was completed early in 1956.



View of the steel framing erection for a portion of the plant area of a \$45,000,000 defense plant being constructed near Sydney, Australia, under contract awarded by the Australian Commonwealth Department of Defense Production to a joint venture which our subsidiary, Utah Australia Limited, is 60 per cent sponsor.



LAND HELD FOR DEVELOPMENT AND RESALE

Commencing in 1954, as previously reported, our company initiated a program of acquiring as a long term investment in the Greater San Francisco Bay Area substantial blocks of strategically located real estate which, because of its then existing contour or condition, tideland or marsh, was unsuitable for ready development as residential or industrial subdivisions. This program is based on careful studies and observations of the growth trends of both population and industry peculiar to this area. Readily available and adaptable land in the immediate proximity of San Francisco is already a scarce and rapidly disappearing resource subject to the characteristic inflation in price.

During 1956 management action on these acquisitions has been directed to further planning operations, as well as the orderly physical accomplishment of a substantial amount of planning developed during 1955.

South Shore of Alameda. During the twelve month period ending October 31, 1956, 340 acres of new land were created from submerged tidelands under terms of a hydraulic dredging and filling contract awarded to and performed by our subsidiary, Utah Dredging Company. Layout and construction plans have been completed and approved for a unique lagoon-type residential development and a 65-acre regional shopping center, in which a substantial number of key leases have been signed by prominent local and national retailing firms to date. Construction of street improvements and buildings is expected to commence early in 1957.

Bay Farm Island. The development of this holding of 878 acres of partially submerged tidelands is presently still in the primary planning stage. It is anticipated, however, that hydraulic dredging and filling operations will commence as the specialized equipment and personnel become available upon completion of a previous dredging contractual commitment in the amount of \$3,700,000, to be performed by our dredging subsidiary for the Port of Oakland in connection with runway extensions at the Oakland International Airport.

Moraga Valley. Of the 5,000 acres held in this area approximately 235 acres have been improved and sold to date to individuals or custom builders at most favorable prices in relation to cost. As a good portion of this holding, by reason of contour and natural beauty, is most adaptable to estate-type or multi-acre residences, development and sales are consequently not processed in the rapid tempo characteristic of lower cost developments. Progress in the development of the area continues to be arrested by the inability of various landowner groups to reconcile their differences to the point of adopting suitable zoning ordinances, a realistic master plan, and the most practical freeway access to the area.

During the fiscal year additional acquisitions to supplement our real estate portfolio of Bay Area industrial properties were acquired on favorable terms in *South San Francisco* and *Martinez*.

In December of 1955, in partnership with Haas & Haynie, our company acquired a 50 per cent interest in 340 acres of hill and marshland property located in the center of a rapidly expanding industrial area within the city limits of South San Francisco. Essentially, the operational plan here is that as the hill areas are leveled by grading operations sufficient fill will be created to reclaim the marshland areas. During the year 90 acres of marshland were reclaimed, and sales of 25 acres of land were consummated. At the year end a number of additional sales were being negotiated.

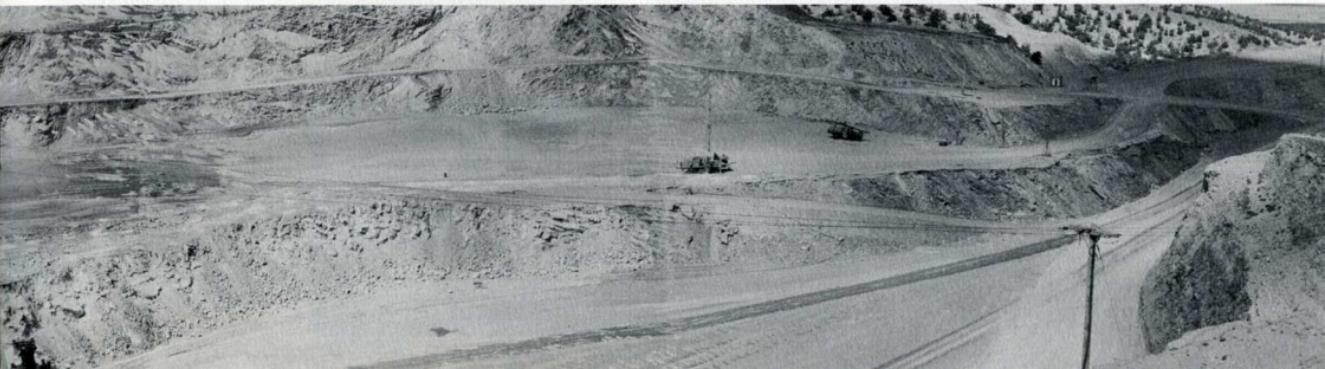
At the mouth of the Sacramento River and bordering on the western shore of Carquinez Straits, the company has acquired control through a combination of purchase and long term lease, of 621 acres of hills, marsh and tidelands. This property offers special advantages to certain heavy industries which require access to modern highway, rail and deep water facilities. To make the area suitable for use the tideland areas will be filled by a combination of hydraulic material pumped from the channel and dry solid material excavated in conjunction with the leveling of the hill areas. To the extent practicable, development will be tailored to the specific requirements of the actual industrial purchasers or tenants and to that end negotiations are currently being conducted with interested industrial occupants.

General. Profits on the limited land sales made to date have been satisfactory and should be expanded in future years as additional acreage is sold. The growth in the San Francisco Bay Area, coupled with the shortage of suitable land for industrial, commercial and residential expansion, has resulted in increasing land values. If the tight money market continues to slow down residential building, the pace of our residential property sales will be arrested accordingly. Such a condition would, however, be of relatively short duration and the factors supporting the long range growth trend in this area should ultimately prevail.

MINING AND SHIPPING

Utah Construction Company directly engages in the mining of iron ore and metallurgical coal in the United States. Through subsidiary or affiliated companies it is interested in the mining of iron ore in Canada and in Peru, copper in Arizona, and uranium in Wyoming. During 1956 the high level of business activity both in the United States and abroad resulted in a strong market for steel and the raw materials required by the steel industry. This condition was in turn reflected in increases in the mining income of Utah, its subsidiaries and affiliates, which rose to record levels. This improvement in mining income was the principal factor responsible for our improved earnings performance and emphasizes again the importance of diversification in stabilizing our profits.

In the iron rich area near Cedar City, Utah, our company conducts its own iron mining operations including crushing, screening and stockpiling. In this panoramic view Utah equipment can be seen working in the Lindsay Pit section of our Iron Springs mine, from where iron ore is shipped and sold by us to major steel producers at a rate exceeding 60,000 tons a month.



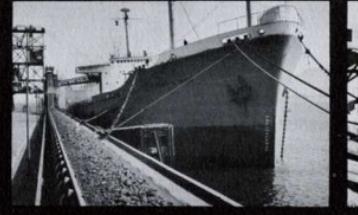
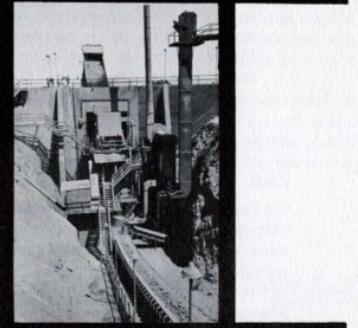
View of the completed Pima Mining Company mine pit near Tucson, Arizona. In connection with laying open sulphide copper ore horizons for mining operations, Utah Construction Company constructed haul roads and removed 6,000,000 yards of overburden to a depth of 250-300 feet. Vast earth moving projects of this nature have long been a specialty of our company.

PERUVIAN IRON ORE

Utah Construction Company, together with Cyprus Mines Corporation, owns more than an 80 per cent beneficial interest in three principal companies concerned with the mining, shipping, and sales of iron ore from the Marcona mine near San Juan, Peru. Ore from this mine has found growing favor with the iron ore buyers throughout the world and is currently being supplied to the steel industry in the United States, Germany, and Japan. Prices as well as demand strengthened during the past year, resulting in excellent earnings. However, production and sales were limited by the availability of ocean shipping at reasonable prices.

Cia San Juan, S. A.

Cia San Juan, S. A. has an exclusive contract for the sales and shipment of Marcona ore. The sale of the ore has proceeded satisfactorily and sales contracts in existence assure continuation of sales in good volume over the next several years. The principal problem facing the company has been the unstable cost of ocean freight and the availability of bottoms in which to move the ore. The cost of chartered shipping has risen rapidly over the last two years, and the international situation on the Suez Canal has placed a further strain on the capacity of the world's cargo fleets.



This sequence shows the modern iron ore mining methods employed by our affiliate, Marcona Mining Company, at San Juan Bay, Peru.

At the open pit mine diesel powered shovels mine and load iron ore into a continuous convoy of 34 ton diesel trucks which transport the ore 17 miles to the primary crusher.

From the crushing plant the iron ore is moved by belt conveyor to stockpile and ultimate transfer into the holds of ore carriers.

Cia San Juan, S. A. has endeavored to meet this problem by entering into long term charter agreements and by the purchase through its wholly-owned subsidiary San Juan Carriers, Ltd. of large specialized ore carriers. During the year two new sister ships of 32,000 dead weight tons capacity, the S. S. HARVEY S. MUDD and the S. S. ALLEN D. CHRISTENSEN, along with the 16,000 dead weight ton M.V. San Juan Trader, a converted oil tanker, were purchased and placed in service. These ships, along with the vessels under long term charter, are capable of moving ore at cost substantially below that of the prevailing charter markets and have enabled Cia San Juan to maintain a reasonable shipping cost. San Juan Carriers, Ltd. has also placed additional orders with Japanese shipyards for the delivery of two 46,000 dead weight ton specialized carriers which are scheduled for delivery in late 1958 and early 1959. Purchase of these vessels was financed in part by the use of bank credit. The value of new vessels has more than doubled since the initial order for the S. S. HARVEY S. MUDD was placed and as a consequence the cost of the vessels that San Juan Carriers, Ltd. has purchased or has on order is several million dollars below the prevailing prices for those vessels in today's market.

MARCONA MINING COMPANY

Strong demand for ore and better prices resulted in favorable operations for Marcona Mining Company during the year. Regular preferred dividends were paid as due and a dividend of \$5.50 a share was declared and paid on the Class B common stock outstanding. During the year the company paid off its indebtedness to the Export-Import Bank and retired \$3,000,000 of its second preferred stock, one-half of which was held by Utah Construction Company. There remains outstanding second preferred stock in the amount of \$2,000,000, equally held by Utah and by Cyrus.

Exploration by the company has added considerably to the proven reserves of both direct shipping ore and ore that will ultimately require beneficiation if it is to be mined and marketed to the fullest advantage. Studies regarding the feasibility and desirability of beneficiating the lower grade ores are under way.

View of an iron ore beneficiation pilot plant employing gravity, magnetic and flotation concentrating equipment installed to study various methods of ore treatment.

S. S. Harvey S. Mudd, owned by our affiliate, San Juan Carriers Ltd., receiving ore from stockpile for delivery to European and domestic steel producers.



PIMA MINING COMPANY

This copper mining and milling corporation, located near Tucson, Arizona, is owned 25 per cent each by our company, Union Oil Company of California, and 50 per cent by Cyrus Mines Corporation. During 1956 the erection of the mill and concentrator was completed and the mining properties were stripped of overburden so as to enable open pit mining and mill operations to commence in December 1956. Copper prices in the world and domestic market have dropped considerably from their highs of the past year. However, the financial and economic feasibility studies upon which this project was conceived were based on an estimated price sufficiently low as to produce satisfactory profits at prices well below present levels.

LUCKY MC URANIUM CORPORATION

During 1956 our company, under the terms of an option agreement to acquire 60 per cent of the ownership of this company, conducted intensive geological investigations of the mining properties and leases controlled by Lucky Mc. These studies confirmed the existence of sizable bodies of uranium ore of good grade and quality. As a result your Company has negotiated for Lucky Mc a long term milling and sales contract for uranium concentrate with the Atomic Energy Commission. Our company has substantially completed for Lucky Mc Uranium Corporation the financing arrangements necessary for mill construction and working capital, based upon contracts for the engineering, design, construction and operation of the ore processing mill and attendant strip mining operations which are required to be performed by our company. We expect that the Lucky Mc financing will be finalized in the early months of 1957 and at that time Utah will acquire 60 per cent of Lucky Mc.

In August of 1956 our affiliate, San Juan Carriers, Ltd. took delivery of the third member of its growing fleet of specialized ore carriers, the 31,600 ton S.S. Allen D. Christensen, sister ship of S.S. Harvey S. Mudd. Here the Christensen is shown tied up at San Francisco on the first leg of its maiden voyage from the builder's yard where inspection parties were held for employees, owners and friends of the company.



FINANCIAL SUMMARY

In considering the operations of Utah Construction Company, shareholders should be mindful of three sources from which economic benefits are derived. First is the net profit earned by the parent company arising from its own operations or from investment income received from other companies in which it holds an interest. Second is the company's share of the undistributed earnings of subsidiary and affiliated companies. Third is the change in value of the company's assets as compared to the carrying cost on the company's books. The first two factors are covered specifically in the Letter to the Stockholders, but the third factor has become increasingly important and deserves special explanatory comment.

Among its assets Utah Construction Company holds certain lands for resale and development, mining lands and leases, and construction equipment. We believe that the value of these assets is conservatively stated but it is not practical to attempt to appraise their present value. The company also owns the securities of other companies, the indicated value of which is substantially in excess of the cost to the company. Of these securities only the stock of Permanente Cement Company is readily salable in the open market and the market value of the 169,369 shares of Permanente Cement stock held by the company at the end of 1956 was \$3,722,000 in excess of our cost. If our other security holdings were valued at our share of the net worth of these companies, the value would be approximately \$7,778,000 above the carrying cost of \$3,194,541 on the books of Utah Construction Company. On the basis set forth above the total indicated value of all of our securities is \$11,500,000 above our carrying cost at the end of 1956.

Utah Construction Company has a Term Loan Agreement dated July 18, 1955, with its banks whereby a line of credit of \$11,000,000 was made available to the company. Of this amount \$6,000,000 is in the form of a Term Loan with annual payments of \$750,000 at the end of the second, third, fourth years, and the balance of \$3,750,000 at the end of the fifth year. The remaining \$5,000,000 is made available in the form of a revolving credit which can be borrowed and repaid from time to time until July 18, 1960. As of October 31, 1956, all of the Term Loan was in use and \$2,925,000 had been borrowed under the revolving credit.

In addition to this long term indebtedness to its banks, the company was also obligated on installment notes issued in payment of land purchased in Alameda in the amount of \$1,413,500, payable in installments through January 1965.

As of October 31, 1956, the net worth of Utah Construction Company was \$21,108,555 or equivalent to \$24.05 a share. This compares with the net worth at the close of the preceding year of \$18,763,113 or \$21.38 a share.

Depreciation and amortization charges for the year 1956 amounted to \$2,153,939 compared to \$1,070,176 during the preceding year. In computing depreciation on construction equipment purchased since January 1, 1954, Utah Construction Company utilized the declining balance method which results in heavier depreciation charges in the earlier years of estimated useful life of the equipment. The amount of depreciation charged against earnings in excess of that which would have been produced under the straight line method amounted to \$786,029 in 1956 compared with \$127,168 in 1955, an increase of \$658,861.

UTAH CONSTRUCTION COMP. SUMMARIES OF INCOME AND RETAINED EARNINGS MARY

EMPLOYEE RELATIONS

Utah Construction Company enjoyed generally harmonious relations with its employees in 1956. The only work stoppages arose either from jurisdictional disputes between unions or from area-wide collective bargaining negotiations.

The company has long followed the policy of making available to its permanent employees certain benefits designed to provide better protection against personal misfortune and to give the employees further incentive to serve the company's interest to the fullest possible extent. In addition to salaries and cash bonuses, the company provides without cost to the employee a Group Hospital and Insurance Plan and a Retirement Plan Based on Profit Sharing.

During 1956, 513 permanent employees and their families were covered under the Group Insurance Plan which affords coverage for hospital, surgical, medical, polio and accident benefits. The face amount of life insurance in force under the plan rose to \$3,726,000 on individual policies ranging from \$2,000 to \$20,000. Five hundred twenty-seven claims for hospital and medical benefits were filed during the year affecting 75 employees and their families. The total premium paid by the company for this program in 1956 was \$96,945 or \$189 for each employee covered.

From the profits of 1956 operations, the company contributed \$300,684 to the employees' Retirement Plan Based on Profit Sharing. Operations were again sufficiently successful to permit the maximum contribution allowable under the contribution formula which is 15 per cent of the annual wages of plan members and an additional amount of \$244,000 was set up as a Reserve for Future Contributions to the Retirement Plan. At the close of the year 295 employees were members of the Plan, a net increase of 38 persons from the previous year. During the year benefits of \$29,608 were paid to retiring or terminating employees.

ARTHUR ANDERSEN & Co.
ACCOUNTANTS AND AUDITORS

600 CALIFORNIA STREET
SAN FRANCISCO 8

To the Board of Directors,
Utah Construction Company:

We have examined the balance sheet of UTAH CONSTRUCTION COMPANY (a Utah corporation) as of October 31, 1956, and the related summaries of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and summaries of income and retained earnings present fairly the financial position of Utah Construction Company as of October 31, 1956, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

San Francisco, California,
December 13, 1956.

UTAH CONSTRUCTION COMPANY

SUMMARIES OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED OCTOBER 31, 1956

Summary of Income

INCOME:	
Gross profit from construction and mining operations	\$ 3,107,021
Dividends	1,503,804
Gain on sale or liquidation of land and investments	1,036,214
Gain on sale of property and equipment	188,617
Other	150,414
	\$ 5,986,070

EXPENSES:	
General and administrative expense	\$ 2,618,083
Interest	595,515
Net income before provision for Federal income taxes	\$ 2,772,472

PROVISION FOR FEDERAL INCOME TAXES	
Net income for the year	\$ 350,000

The above summary of income includes provisions for depreciation and depletion aggregating \$2,153,939.

Summary of Retained Earnings

BALANCE OCTOBER 31, 1955	\$ 17,008,038
ADD—Net income for the year	2,422,472
	\$ 19,430,510

DEDUCT—Dividends on capital stock paid in securities, at cost (market value \$1,259,266)	77,030
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BALANCE OCTOBER 31, 1956	\$ 19,353,480
(\$13,244,925 restricted under bank loan agreement)	